



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 6, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **LOS ANGELES HOMELESS SERVICES AUTHORITY CONTRACT
REVIEW – A DEPARTMENT OF PUBLIC SOCIAL SERVICES
EMERGENCY SHELTER SERVICE PROGRAM PROVIDER**

We have completed a program, fiscal and administrative contract review of the Los Angeles Homeless Services Authority (LAHSA or Agency), a Department of Public Social Services (DPSS) CalWORKs Emergency Shelter Service (ESS) Program provider.

Background

DPSS contracts with LAHSA, a local government agency, to operate the ESS Program. The services include providing outreach, transportation, emergency shelter, and case management for homeless CalWORKs families. LAHSA subcontracts with 13 agencies to provide direct program services. The Agency provided services to residents in all Supervisorial Districts during Fiscal Year (FY) 2008-09.

DPSS compensates LAHSA on a cost-reimbursement basis. DPSS paid LAHSA approximately \$2,658,000 during FY 2008-09.

Purpose/Methodology

The purpose of our review was to determine whether LAHSA complied with the contract terms and appropriately accounted for and spent ESS funds in providing the services outlined in their County contract. We also interviewed Agency staff and evaluated

LAHSA's accounting records, internal controls, and compliance with federal, State and County guidelines. In addition, in March 2010, we followed-up on the findings we noted during our initial review to determine if LAHSA had taken corrective action.

Results of Review

The program participants met the eligibility requirements for the ESS Program and LAHSA met the contract's performance outcome measures. In addition, the Agency's staff possessed the required qualifications. However, LAHSA did not always comply with the other contract requirements. Specifically, LAHSA did not:

- Resolve 22 outstanding checks totaling \$49,850 timely.
- Perform employee background and security investigations for nine (82%) of the 11 employees reviewed and maintain signed Employee Acknowledgement and Confidentiality Agreement forms for seven (64%) of the 11 employees reviewed. Subsequent to our review, the required background checks were performed and the required forms were obtained.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with LAHSA on February 23, 2010 and on March 10, 2010. Their attached response indicates agreement with our recommendations. We also notified DPSS of the results of our review and DPSS indicated they have begun following-up on our recommendations with the Agency.

We thank LAHSA for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, Department of Public Social Services
Howard J. Katz, Commission Chair, LAHSA
Michael Arnold, Executive Director, LAHSA
Steve Andryszewski, Chief Financial Officer, LAHSA
Public Information Office
Audit Committee

**CALWORKS EMERGENCY SHELTER SERVICE PROGRAM
LOS ANGELES HOMELESS SERVICES AUTHORITY
FISCAL YEAR 2008-09**

ELIGIBILITY

Objective

Determine whether Los Angeles Homeless Services Authority (LAHSA or Agency) provided services to individuals that met the eligibility requirements of the CalWORKs Emergency Shelter Service (ESS) Program.

Verification

We visited four LAHSA service sites and reviewed the case files for 26 (38%) of the 68 program participants that received services in September and October 2008.

Results

All 26 program participants met the eligibility requirements for ESS Program services.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether LAHSA provided the services in accordance with the County contract and CalWORKs guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the case file documentation for 26 program participants that received services during September and October 2008.

Results

LAHSA provided the services in accordance with the County contract.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether LAHSA and subcontractor staff possessed the qualifications required by the County contract.

Verification

We reviewed the personnel files for seven LAHSA and four subcontractor employees.

Results

The LAHSA and subcontractor employees possessed the qualifications required by the County contract.

Recommendation

None.

PERFORMANCE OUTCOMES

Objective

Determine whether LAHSA met the planned performance outcomes as outlined in the County contract and reported the performance outcomes to the Department of Public Social Services (DPSS). The performance outcomes included placing all families within 24 hours of request, transporting all families needing transportation to various locations and submitting detailed Monthly Management Reports.

Verification

We visited four LAHSA service sites, interviewed ESS Program staff, and reviewed the Agency's November 2008 invoices and participant case files. We also reviewed LAHSA's Monthly Management Reports for July through December 2008 and DPSS' monitoring reports for the first and second quarters of Fiscal Year 2008-09.

Results

LAHSA met the performance outcome measures outlined in the County contract.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in LAHSA's financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash.

Verification

We interviewed LAHSA personnel and reviewed financial records including the Agency's January 2009 bank reconciliation.

Results

LAHSA properly recorded revenue and generally had adequate controls over cash. However, the Agency did not resolve outstanding checks timely. Specifically, on the January 2009 bank reconciliation, 22 checks totaling \$49,850 were outstanding for over 90 days.

Subsequent to our review, we reviewed the Agency's January 2010 bank reconciliation and noted that LAHSA did not have any checks outstanding for over 90 days.

Recommendation

1. LAHSA management resolve outstanding checks timely.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program-related expenditures were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed LAHSA personnel and reviewed financial records and other documentation for 10 non-payroll expenditures totaling \$110,937 billed by the Agency from July 2008 through February 2009.

Results

LAHSA's expenditures were allowable, properly documented and accurately billed.

Recommendation

None.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether LAHSA maintained sufficient internal controls over its business operations and if the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed LAHSA personnel, reviewed their policies and procedures manuals and conducted on-site visits.

Results

LAHSA generally maintained sufficient internal controls over its business operations. However, LAHSA and all four subcontractors reviewed did not maintain the required crime insurance coverage.

Subsequent to our review, DPSS renewed the contract with LAHSA. The new contract does not require crime insurance coverage. However, LAHSA should continue to ensure the Agency and their subcontractors comply with the remaining insurance requirements.

Recommendation

2. LAHSA management ensure that the Agency and its subcontractors maintain the required insurance coverage.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether LAHSA's fixed assets and equipment purchases made with ESS funds were used for the ESS Program and were safeguarded.

We did not perform test work in this section, as LAHSA did not use ESS funds to purchase fixed assets or equipment.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the ESS Program. In addition, determine whether LAHSA obtained criminal background clearances and verified employment eligibility for ESS Program employees.

Verification

We traced the payroll expenditures for seven LAHSA employees totaling \$3,104 for January 2009 to the Agency's payroll records and time reports. We also interviewed staff and reviewed personnel files for seven LAHSA and four subcontractor employees assigned to the ESS Program.

Results

LAHSA appropriately charged payroll expenditures to the ESS Program. However, the Agency and subcontractor did not perform the required criminal background clearances and security investigations for nine (82%) of the 11 employees reviewed. In addition, LAHSA did not maintain signed Employee Acknowledgement and Confidentiality Agreement forms for seven (64%) of the 11 employees as required by the County contract.

Subsequent to our review, LAHSA provided documentation indicating that the Agency and subcontractors completed the criminal background clearances and security investigations and obtained signed Employee Acknowledgement and Confidentiality Agreement forms for the employees reviewed.

Recommendations

LAHSA management ensure the Agency and their subcontractors:

- 3. Perform criminal background clearances and security investigations for all ESS Program employees.**
- 4. Obtain and maintain signed Employee Acknowledgement and Confidentiality Agreement forms for all ESS employees.**

COST ALLOCATION PLAN**Objective**

Determine whether LAHSA's Cost Allocation Plan was prepared in compliance with the County contract and if the Agency used the Plan to appropriately allocate shared program costs.

Verification

We reviewed the Cost Allocation Plan and a sample of expenditures incurred from July 2008 through February 2009.

Results

LAHSA's Cost Allocation Plan was prepared in compliance with the County contract and the costs were appropriately allocated.

Recommendation

None.

CLOSE-OUT REVIEW

Objective

Determine whether LAHSA's 2008 invoices reconciled to the Agency's financial accounting records.

Verification

We traced LAHSA's invoices from January to December 2008 to their financial accounting records.

Results

LAHSA's 2008 invoices reconciled to the Agency's financial accounting records.

Recommendation

None.



G. Michael Arnold
Executive Director

Board of Commissioners

Howard Katz
Chair

Ramona Ripston
Vice-Chair

Larry Adamson

Moctesuma Esparza

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March 9, 2010

Wendy Watanabe, Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 South Figueroa Street, 8th Floor
Los Angeles, CA 90071

Re: County of Los Angeles Department of Auditor Controller
Program and Fiscal Review of the Outreach and Emergency Shelter Services
Contract with the Department of Public Social Services for July 1, 2008 to June
30, 2009.

Dear Ms. Watanabe:

Thank you for your email of February 24, 2010 with the draft report of
recommendations from your review of the referenced Program.

LAHSA has reviewed the recommendations and has the following responses:

CASH/REVENUE

Recommendation No. 1 – LAHSA management resolve outstanding checks timely.

LAHSA Response:

LAHSA agrees with this finding. We understand the importance of resolving
outstanding checks in a timely manner. Thirteen of the outstanding checks were
payable to two of our funders and, two reimbursements were for employees. The
checks payable to LAHSA's funders were for the required repayment of monitoring
disallowances and earned interest.

Corrective Action Plan

In the future, LAHSA will ensure that outstanding checks are resolved in accordance
with LAHSA policy.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

**Recommendation No. 2 - LAHSA management ensures that the Agency and its
subcontractors maintain the required insurance coverage.**

LAHSA Response:

LAHSA agrees with the finding. The DPSS ESS contract with the County of Los
Angeles dated June 27, 2006 requires LAHSA to maintain specific insurance coverage
and limits.

County of Los Angeles Department of Auditor-Controller
March 5, 2010
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Corrective Action Plan

As DPSS ESS contract 75744 has ended, and crime coverage is not required as a provision to the current DPSS ESS contract 77027 dated June 16, 2009, we believe that no further action is required for this review. We will ensure that LAHSA and its subcontractors have the appropriate insurance coverage and limits as required by the contract.

Recommendation No. 3 - Perform background and security investigations for all ESS Program employees.

LAHSA Response:

LAHSA agrees with this finding. LAHSA recognizes that, in accordance with the contract with the County, all staff performing work on DPSS ESS funds may be required to undergo and pass, to the satisfaction of the County, a background investigation at any time prior to or during the contract term as a condition of beginning and continuing to work under this contract. Neither LAHSA nor the Subcontractors had required background checks for staff that did not directly interact with clients and children. In 2008 LAHSA implemented a policy to complete background checks for all new hires.

Corrective Action Plan

Background checks have been completed for all LAHSA employees currently allocated to DPSS ESS funds. For the current contract year subcontractors have been notified of this requirement, and will be fully compliant by June 30, 2010. LAHSA will ensure compliance with this requirement in the future.

Recommendation No. 4 - Require all ESS employees to sign Employee Acknowledgement and Confidentiality Agreement forms.

LAHSA Response:

LAHSA agrees with this finding. LAHSA recognizes that each employee performing services covered by this contract must sign and adhere to the provisions of the Employee Acknowledgement and Confidentiality Agreement (Agreement).

Corrective Action Plan

LAHSA has implemented protocols to ensure that current Agreements are kept on file for all staff working on DPSS ESS programs. LAHSA will ensure that subcontractors maintain Agreements for employees allocated to DPSS ESS funds and that signed Agreements for LAHSA employees are current and properly maintained in the files.

We hope our response facilitates clearing the recommendations from the review. Thank you for your assistance, please contact me should you have any questions regarding our response.

Sincerely,



Steve Andryszewski
Chief Financial Officer

cc: G. Michael Arnold, Executive Director
Victoria Saenz-Brown

County of Los Angeles Department of Auditor-Controller
March 5, 2010
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Stuart Jackson

Daniel Fisher

Leslie Sanchez

Maria P. Rodriguez, Director, DPSS

Sheri Ramirez-Garcia, County Contract Administrator, DPSS